

Message Text

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ORIGIN COME-00

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-06 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-02
OMB-01 DOE-11 OPIC-03 XMB-02 /117 R

DRAFTED BY COM/ BIEPR/OTP/IND/DBUSINGER:KG
APPROVED BY STR/ WKELLY
COM/BIEPR/OTP/IND/CJOHNSON
COM/BIEPR/TNAD/DSCHLECHTY
COM/BDBD/JMCELROY
STATE/EA/JHCOCHRAN (SUBS)
STATE/EB/OT/TA/JCUNNINGHAM
AG/JHUDSON (SUBS)
LAB/FLAVALLEE (SUBS)
TR/JSCHOTT (SUBS)

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FM SECSTATE WASHDC
TO USMISSION GENEVA
INFO AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 010625

USMTN FOR MTN GENEVA

E.O. 11652: GDS

TAGS: MTN, ETD, JA

SUBJECT: CLARIFICATION OF THE U.S. NTM REQUESTS OF JAPAN

REF: (A) GENEVA 12620; (B) TOKYO 18639; (C) STATE 306185

FOLLOWING ARE OUR COMMENTS IN RESPONSE TO JAPANESE REQUEST
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FOR CLARIFICATION TRANSMITTED IN REF (A):

1. ADMINISTRATIVE GUIDANCE (PAGE ONE OF REQUEST LIST,
THIRD ITEM). THE U.S. IS SEEKING A GOJ COMMITMENT TO THE
EFFECT THAT ALL GOJ AGENCIES WILL REFRAIN FROM USING
ADMINISTRATIVE GUIDANCE AS A MEASURE TO CONTROL IMPORTS.
WE AVOIDED GIVING SPECIFIC EXAMPLES IN THE REQUEST LIST IN

ORDER TO PREVENT A GOJ RESPONSE ON ONLY ONE OR TWO ITEMS, AS THIS WOULD NOT MEET OUR MORE GENERAL REQUEST. WE EXPECT TO WORK IN THE TRADE FACILITATION COMMITTEE (TFC) ON AN ITEM-BY-ITEM BASIS BUT BELIEVE THE MTN IS THE APPROPRIATE FORUM FOR A GENERAL RESOLUTION OF THIS ISSUE. FOR BACKGROUND AND SOME ILLUSTRATIVE EXAMPLES, REFER TO COMMERCE DATA BASE SHEET JAPAN 4X2.

THE FOLLOWING CITATIONS FROM ISACS FURTHER ILLUSTRATE U.S. INDUSTRY CONCERN WITH THIS NTM:

(A) ISAC 4, PAPER AND PAPER PRODUCTS--GOJ INFLUENCES THE IMPORT DECISIONS OF TRADING COMPANIES AND BANKS AND THEREBY CONTROLS IMPORTS OF THESE PRODUCTS; (B) ISAC 5, INDUSTRIAL CHEMICALS (VARNISHES, COLORS, AND PIGMENTS)--GUIDANCE BY MITI PRECLUDES OR DELAYS IMPORTS OF THESE U.S. PRODUCTS; (C) ISAC 6, PHARMACEUTICALS--ADMINISTRATIVE GUIDANCE EMPLOYED TO RESTRAIN USE OF IMPORTED MATERIALS; (D) ISAC 17, MACHINE TOOLS--ADMINISTRATIVE GUIDANCE INHIBITS THE IMPORT OF U.S. MANUFACTURED BEARINGS; (E) ISAC 19, CONSUMER ELECTRONICS--ADMINISTRATIVE GUIDANCE CREATES AN ECONOMIC ENVIRONMENT THAT FAVORS DOMESTIC GOODS OVER IMPORTS, AS IN FINANCING AND PRICING DECISIONS; (F) ISAC 25, AUTOMOTIVE PRODUCTS--ADMINISTRATIVE GUIDANCE INHIBITS IMPORTS OF U.S. AUTOMOTIVE PRODUCTS.

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THESE EXAMPLES MAY BE RAISED WITH JAPANESE DEL, BUT MUST NOT BE PORTRAYED AS THE ONLY INSTANCES WHERE ADMINISTRATIVE GUIDANCE HAS HINDERED JAPANESE IMPORTS FROM THE UNITED STATES. INDEED, TWO MORE RECENT AND WELL-DOCUMENTED COMPLAINTS CONCERNING ADMINISTRATIVE GUIDANCE HAVE BEEN RAISED IN THE TFC. ONE BY GENERAL ELECTRIC, RE ADMINISTRATIVE GUIDANCE BY MITI ON ZIRCONIUM CLAD TUBING, HAS ALREADY BEEN RESOLVED BY THE TFC. THE OTHER, BY MICROLERT, INVOLVES AN AUTOMATIC ELECTRONIC SIGNALLING SYSTEM WHICH REQUIRED NTT (NIPPON TELEPHONE AND TELEGRAPH PUBLIC CORP.) APPROVAL. NTT "RECOMMENDED STRONGLY" THAT THESE DEVICES BE MANUFACTURED IN JAPAN. THIS CASE IS STILL PENDING BEFORE THE TFC. (SEE REF B FOR BACKGROUND ON THESE TWO TFC CASES).

2. LUMBER AND WOOD PRODUCTS (PAGE 15 OF REQUEST LIST, LAST ITEM). SMALLER U.S. EXPORTERS OF THESE ITEMS HAVE HAD SOME SUCCESS IN MAKING SALES IN THE EC BUT FIND THEMSELVES UNABLE TO PENETRATE THE JAPANESE MARKET BECAUSE THEY CANNOT DEAL DIRECTLY WITH JAPANESE USERS. THE NECESSITY OF PASSING ALL SALES THROUGH JAPANESE TRADING COMPANIES, WHICH ALLEGEDLY HAVE A STRANGLEHOLD ON THE FINANCING AND

MARKETING OF IMPORTS, IS THE KEY RESTRICTION IN EFFECTIVELY BLOCKING ACCESS TO THE MARKET. OUR INFORMATION IS THAT NO U.S. COMPANY HAS BEEN ABLE TO ESTABLISH DIRECT SALES IN THIS FIELD, AND FURTHER THAT SMALLER U.S. EXPORTERS WHO DO NOT HAVE LOGS OR TECHNOLOGY FOR EXPORT CANNOT ENTER THE MARKET COMPETITIVELY THROUGH THE LARGER JAPANESE TRADING COMPANIES.

3. IMPORT ENTRY PROCEDURES: DELAYS IN CLEARANCE THROUGH

CUSTOMS (PAGE 17 OF REQUEST LIST, FIRST ITEM). ALTHOUGH THE REQUEST REFERS ONLY TO CONSTRUCTION EQUIPMENT THIS IS A COMMON COMPLAINT AMONG U.S. EXPORTERS. PROBLEMS IN THIS AREA GENERALLY ARISE FROM THE MANNER IN WHICH
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REGULATIONS ARE INTERPRETED BY JAPANESE CUSTOMS OFFICERS. FOR EXAMPLE, SOME OFFICIALS HAVE BEEN KNOWN TO OPEN EVERY PACKAGE FOR INSPECTION, EVEN WHEN THE TRANSACTION IS BETWEEN A REPUTABLE SUPPLIER AND END-USER WITH A LONG-STANDING TRADE RELATIONSHIP. THIS HAS RESULTED IN LONG DELAYS IN CUSTOMS CLEARANCE AND IS A PARTICULAR PROBLEM FOR PERISHABLE GOODS. CUSTOMS OFFICIALS HAVE ALSO BEEN KNOWN TO FREQUENTLY ASK FOR PROPRIETARY INFORMATION ON MANUFACTURING PROCESSES BEYOND THAT WHICH IS ESSENTIAL FOR CLASSIFICATION PURPOSES.

FOR THE MISSION'S USE: WE ARE REPEATING REF C WHICH IS THE TEXT OF A NEW YORK TIMES ARTICLE ON THE TYPE OF CUSTOMS PROCEDURES U.S. EXPORTERS FIND RESTRICTIVE. YOU MAY WISH TO GIVE THE ARTICLE TO THE JAPANESE DEL AS AN ILLUSTRATION OF U.S. INDUSTRY'S VIEWS. VANCE

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Draft Date: 14 jan 1978
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
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